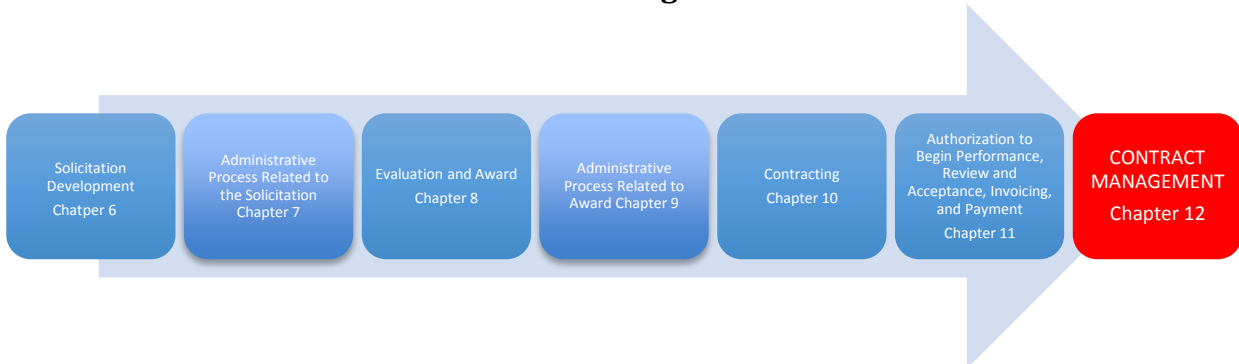


## Chapter 12 Contract Management



### 12.1. Contract Management

Contract management is the process of actively managing State contracts to ensure compliance with the requirements of an executed contract. This chapter outlines the State's roles and responsibilities for managing contracts, and describes activities that are necessary for effective contract management.

### 12.2. Contract Management Team

The **Contract Management Team** is the team of individuals responsible for, including but not limited to, ensuring compliance with the contract requirements, including terms and conditions, documenting agreed on contract changes, addressing contractor performance issues, and maintaining the contract file. The Contract Management Team and roles and responsibilities, at a minimum, are described in Table 12.2.

| Table 12.2<br>Contract Management Team |  |
|--|--|
| Team Member                            | Roles and Responsibilities   |
| <b>Business Owner</b>                  | <p>The agency leader (e.g. department or agency director, or designee) who is the owner of the procurement need. The business owner is responsible for, including but not limited to the following:</p> <ul style="list-style-type: none"> <li>• Ensuring that the contractor is delivering and performing in accordance with the contract requirements</li> <li>• Identifying the Program Manager who will be responsible for the day-to-day oversight of the contract, contractor delivery, and performance requirements</li> </ul>  |
| <b>Contract Administrator</b>          | <p>The purchasing professional, as identified by Procurement Executive, who is responsible for, including, but not limited to the following:</p> <ul style="list-style-type: none"> <li>• Administering the contract</li> <li>• Leading and facilitating contract kickoff and progress meetings</li> <li>• Providing statewide or department-wide announcements of a new contract</li> <li>• Monitoring the contractor's performance throughout the life of the contract</li> <li>• Scheduling and facilitating progress or performance meetings</li> <li>• Resolving contract performance issues</li> <li>• Maintaining the contract file</li> <li>• Assist the Program Manager in understanding the contract and responsibilities of the State and the contractor</li> <li>• Assist the Program Manager in understanding the Program Manager's role and responsibility related to contract management</li> </ul> |

|                        |  |
|------------------------|--|
| <b>Program Manager</b> | <p>The individual identified by the business owner, or designee who is responsible for, including, but not limited to the following:</p> <ul style="list-style-type: none"> <li>• The technical oversight and direction of the day-to-day administration of the contract.</li> <li>• Monitoring the contractor's performance throughout the life of the contract, including ensuring that the contractor is meeting all milestones and is in compliance with service levels identified in the contract</li> <li>• Serving as the day to day contact for contractor questions, and engaging Contract Administrator's assistance when necessary</li> <li>• Understanding contract and payment terms, including payment stream, early pay discounts, applicable holdbacks, etc.</li> <li>• Reporting to the Contract Administrator contractor's failure to meet service level agreements</li> <li>• Reviewing and approving invoices by ensuring accuracy and alignment with contract payment stream (e.g. milestone and deliverables associated with payment stream)</li> <li>• Understand what is considered a Minor Contract Issue (see 12.5)</li> <li>• Follow all steps required to resolve Contract Issues</li> </ul> |
|------------------------|--|

### 12.3. Contract Kick-Off Meeting and Announcement

A “**Contract Kickoff Meeting**” is a conference of the parties (Contract Administrator, Program Manager, contractor, and other individuals as determined by the parties) who are responsible for administering the contract. The Procurement Executive should decide if a Contract Kickoff Meeting is necessary. If a contract kick-off meeting is necessary it should be held after the contract award, but before the contractor begins performance.

The Contract kickoff Meeting can be held in person, by video or conference call. The Contract Administrator is responsible for scheduling and facilitating the kick-off meeting with the contractor, and recording communications of the meeting on the “**Contract Kick-off Meeting Record**” form. The Contract Kickoff Meeting Record should be maintained in the contract file.

Prior to the kick-off meeting the Contract Administrator may conduct a kick-off planning session with the contract Program Manager and appropriate end users.

### 12.4. Contract Announcements

The Contract Administrator is responsible for announcing the new contract to all applicable users, including department and agency staff responsible for the payment of invoices.

### 12.5. Contract Issue Resolution

There may be circumstances when the contractor and the State disagree over contract performance (a “**Contract Issue**”). There are two types of Contract Issues and are as follows: (1) minor contract issue, and (2) major contract issue. The two types of Contract Issues are defined as follows:

A “**Minor Contract Issue**” is a Contract Issue that can be easily resolved with a call or email.

A “**Major Contract Issue**” a Minor Contract Issue that has not been resolved within 30 calendar days, is repetitive, or a Contract Issue that substantially impacts the performance of the contract, or immediately impacts the needs of the State.

Each Contract Issue should be resolved by the Contract Administrator and Program Manager in accordance with the “**Contract Issue Resolution Process**” described in Table 12.5.

| <b>Table 12.5.</b><br><b>Contract Issue Resolution Process</b>           |  |  |   |  |
|--|--|--|---|--|
| <b>Step</b>  | <b>Issue Type and Process Requirements</b>   |  |   |  |
|  | <b>Minor Contract Issue</b><br>A Contract Issue that can be easily resolved with a call or email. If the issue has not been resolved within 30 calendar days, or is repetitive it then becomes a Major Contract Issue  |  | <b>Major Contract Issue</b><br>A Minor Contract Issue that has not been resolved within 30 calendar days, is repetitive, or a Contract Issue that substantially impacts the performance of the contract, or immediately impacts the needs of the State          |  |
|  | <i>Contract Administrator</i>  | <i>Program Manager</i>   | <i>Contract Administrator</i>   | <i>Program Manager</i>                           |
| <b>Step 1 – Identify and Document Issue</b>                              | Provide support to Program Manager as requested or as Contract Administrator determines necessary  | Document issue on the Issue Tracking Log.<br><br>The “ <b>Issue Tracking Log</b> ” is a form intended to track Minor Contract Issues and document the steps taken to resolve the identified Contract Issue.  | Document issue as a Vendor Performance in MAIN<br><br>The “ <b>Vendor Performance</b> ” is a tracking system in MAIN that is intended to document, in a central location, Minor and Material Contract Issues and document the steps taken to resolve the issue. | Provide support to Contract Administrator        |
| <b>Step 2 - Evaluation</b>   | Assist the Program Manager when necessary  | Review all the facts and understand if the issue conflicts with the requirements and terms and conditions of the contract. Investigate the factors that contributed to the allegations and whether the State has contributed to the issue. Determine the appropriate course of action, and document on the Issue Tracking Log or Vendor Performance in MAIN.   |   | Assist Contract Administrator when necessary     |
| <b>Step 3 – Discussion with Contractor</b>                               | Assist the Program Manager when necessary  | Discuss the issue with the contractor and obtain feedback. Document, on the Issue Tracking Log or on the Vendor Performance, the steps for corrective action to be taken by the contractor and the State, as applicable, and timeline for performance. This information must be formalized in a written document and provided to the contractor. Resolution steps should be completed in no more than 30 calendar days, or as otherwise agreed.<br><br><i>The State should respond promptly to all contractor inquiries. Failure to address contractor questions or concerns timely may result in adverse consequences to the State.</i> |   | Assist the Contract Administrator when necessary |
| <b>Step 4 – Dispute Resolution Activities Identified in the Contract</b> | If the issue is not resolved within the time period identified in the written notice issued under <b>Step 3</b> , the State must consider additional dispute resolution steps such as issuing a right to cure letter or a stop work order, or terminating the contract. Dispute resolution steps required under the contract must be followed. |  |   |  |

## 12.6. Contract Compliance Reports

At least yearly, the Contract Administrator and the Program Manager State should complete an evaluation of the contractor's performance and document the evaluation on a "**Contract Compliance Report**." The Contract Compliance Report provides a summary of the contractor's performance over the last twelve months. The Contract Compliance Report must include a copy any Issue Tracking Log maintained by the Program Manager. Any outstanding Contract Issues must be addressed with the contractor and resolved prior to the Contract Administrator certifying and maintaining the Contract Compliance Report in the contract file.

## 12.7. Contract Progress Meetings

The **Contract Administrator** is responsible for scheduling and facilitating Contractor Progress Meetings. A "**Contract Progress Meeting**" is intended to assist the State and contractor in, including but not limited to, reviewing the Contract Compliance Report, addressing outstanding items on the Issue Tracking Log and Vendor Performance in MAIN, reviewing overall contract compliance, discuss market trends that will assist the State in understanding changes in the industry, and solicit contractor recommendations for increasing contract efficiency and reducing costs.

Contract Progress Meetings can be held (in person or by conference call) at any time, but at a minimum the Contract Administrator should hold a Contract Progress Meeting at least yearly. The Contract Administrator, Program Manager and any individual identified by the parties should participate.

## 12.8. Change Management

It may be necessary to make changes to the contract. Contract changes must be documented on a Contract Change Notice, and signed by the Contract Administrator for the State and contractor. A "**Contract Change Notice**" is a form used to document State and contractor agreed modifications to the contract. A Contract Change Notice must be maintained in the contract file.

A contract change includes, but is not limited to the following:

- Change in State or contractor address
- Corrections of typographical errors not affecting the substance of the contract
- Changes in personnel assigned to administer the contract
- Increase in the value of a contract with no scope change
- Change in the price(s) of the contract deliverable, or increasing the value of a fixed price contract
- Change in delivery schedule
- Change to the statement of work
- Change of any of the "Terms and Conditions"
- Exercising an option year, or extending the contract term
- Changes to Tax ID or Contractor Name
- Change in subcontractor

*Note: Any document received from the contractor that alter the contract, or require a signature from the State must be sent to the Contract Administrator for review, approval, and signature.*

The Contract Administrator is responsible for ensuring that the appropriate agency approval, if required, is obtained prior to finalizing a change request. If a change requires a modification to the approved CS-138, the agency responsible for obtaining the initial approval is responsible for obtaining any subsequent approvals. Any State Administrative Board requirements must be met.

## 12.9. Contract Closeout Activities

A contract is completed when all goods, equipment, or services have been received and accepted; all reports have been delivered and accepted; all State furnished equipment and material has been returned; and final payment has been made to the contractor. Prior to approving the final contractor invoice, the program manger should ensure the all outstanding issues have been resolved, that both parties to the contract have fulfilled their contractual obligations.

The Contract Administrator, with assistance of the Program Manager, should complete a Contract Closeout Report and maintain in the contract file. The “**Contract Closeout Report**” is a checklist that assist the Contract Administrator in ensuring that the contractor has provided all deliverables and performed all contract requirements, that all outstanding Contract Issues are resolved, and that all State property has been returned to the State. The Contract Closeout Report must be maintained as part of the contract file.

The Contract Administrator may hold a Contract Closeout Meeting prior to closing out the contract. A “**Contract Closeout Meeting**” is a meeting (in person or by telephone) to verify the requirements identified on the Contract Closeout Report. The Procurement Executive should decide if a Contract Closeout Meeting is necessary.